HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Windsor CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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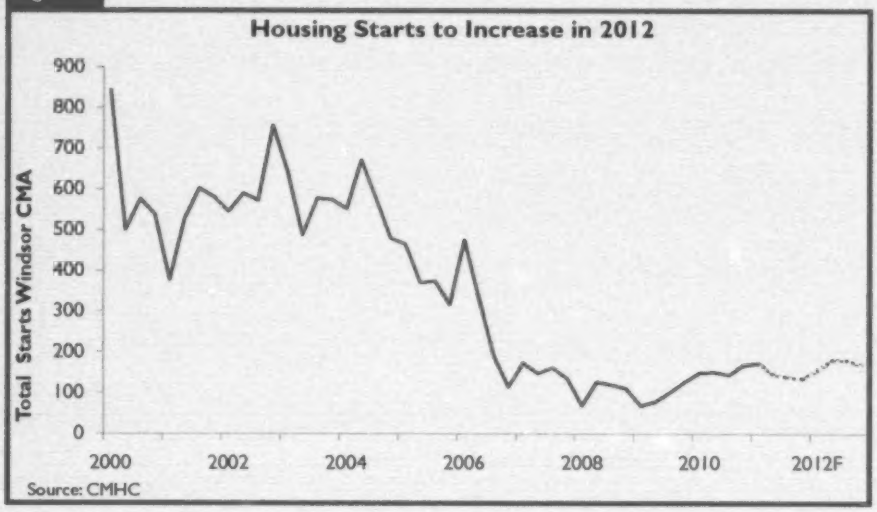
Market at a Glance

- Both sales and listings will pull back from 2010 levels, maintaining a balanced market.
- New home construction will decline, due to fewer single-detached starts, before resuming upward trend in 2012.
- Stronger employment levels, income growth and capital investment in the Windsor area will support housing markets into 2012.

Figure 1



[1] The forecasts included in this document are based on information available as of April 28, 2011.

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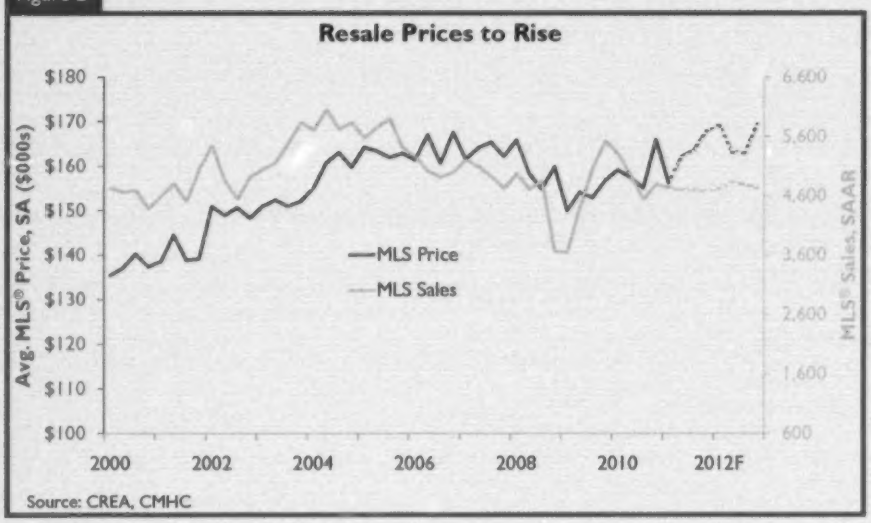
Figure 2



Resale Home Market

MLS® Sales to Moderate in 2011 Before Rising in 2012

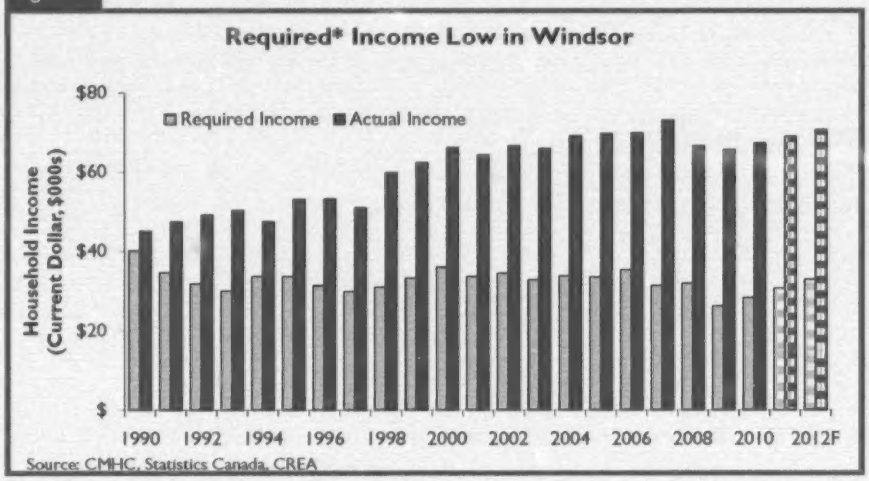
As 2010 began, the resale home market was expanding in Windsor as sales were pushed above trend. Buyers responded to historically low mortgage rates and favourable buying conditions by bringing purchases forward to the first half. The implementation of the Harmonized Sales Tax on July 1 and more restrictive rules on borrowing also contributed to this bring forward effect. With many potential buyers having completed their purchases, sales fell significantly in the second half of the year. Leading into 2011, demand in the resale market failed to pick up significantly from the low levels in the second half of 2010. Sales will stabilize at current levels as wage gains and employment growth support demand but somewhat higher mortgage rates may restrain sales growth by year-end.

Sustained employment growth will offset further mortgage rate increases in 2012, supporting modest sales growth in that year. On average, sales in 2011 and 2012 will not match the level reached in 2010.

Windsor continues to be the most affordable homeownership market of any major metropolitan area in Southern Ontario. The resumption of income growth this year and next will partially offset the slightly higher carrying costs due to rising prices and mortgage rates for the average priced home in Windsor. As the gap between the actual average income and the required income needed to carry the mortgage on a typical home narrows, it will likely mean that some first time buyers may need to postpone their home purchase so as to build some savings.

Windsor's average MLS® price has been volatile lately. Shifts in the proportion of high-end and low-end homes being sold have a significant impact on the average price in a mid-size market like Windsor. Many first-time buyers, encouraged by the improving employment situation, decided to enter the market in the first quarter. Sales under $140,000 accounted for a larger share of sales, pulling the average price

Figure 3



[1] Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on 10 per cent down payment, the forecast of the posted fixed five-year mortgage rate and the longest available amortization for a mortgage loan

down. As move-up buyers become a relatively larger presence throughout the rest of 2011 and into 2012, prices will move up.

With more first-time buyers in the market, new listings continued to decline in the first quarter of 2011. The success of the Windsor Essex Retire Here initiative is also a factor bringing down new listings. Sales to first time buyers and people moving in from elsewhere absorb listings whereas a sale to a repeat buyer usually generates a listing along with the sale. The dearth of listings in late 2010 and early 2011 offset the modest decline in sales, maintaining the market in the balanced range. The supply of listings will expand gradually in the rest of 2011 and into 2012 as move-up buyers drive the market, supported by stronger disposable incomes. Although the sales-to-new listings ratio will move down, the market will remain balanced.

New Home Market

Starts to Wane in 2011

New residential construction levels in 2011 will dip from the significant gains made last year in the Windsor Census Metropolitan Area (CMA). A tight resale market and transitory events, boosted starts early in 2010 but also led to the decline in the second half of last year.

One of the main reasons for new residential construction is to accommodate the growth in households that accompanies population increases. From 2008-2010 the Windsor CMA had the highest levels of interprovincial and intra-provincial outmigration per 1,000 population in the country. With this loss of population, and consequently, a slower rate of household formation, the demand for new housing units will be subdued for the rest of 2011.

The decline in new residential housing starts this year will be centred in the single-detached market where many of the new homes are targeted to move-up and move-down buyers. The first-time buyer has mostly turned to the resale market. People over 45 have been the prime beneficiaries of the improving labour market. The proportion of this age group which is employed increased by 10 per cent between the first quarters of 2010 and 2011, a trend which will continue in 2012. Since many move-up buyers are drawn from this age group and its improving employment situation will support a recovery of demand for new homes, particularly single-detached homes.

Freehold townhouse construction will be steady in 2011 and up moderately in 2012 to address a growing demand for this product. Boomers are very interested in these homes because they require less maintenance, offer security features and monitoring, and flexibility – many have guest suites available on site as well as fitness and recreation amenities. Most townhomes have a single storey and total living space which compares favourably to multi-storey models in communities with more expensive land costs. The Windsor-Essex Retire Here campaign is producing results as interest spreads and the number of seniors moving to the area numbers in the hundreds.

New Home Prices Rise

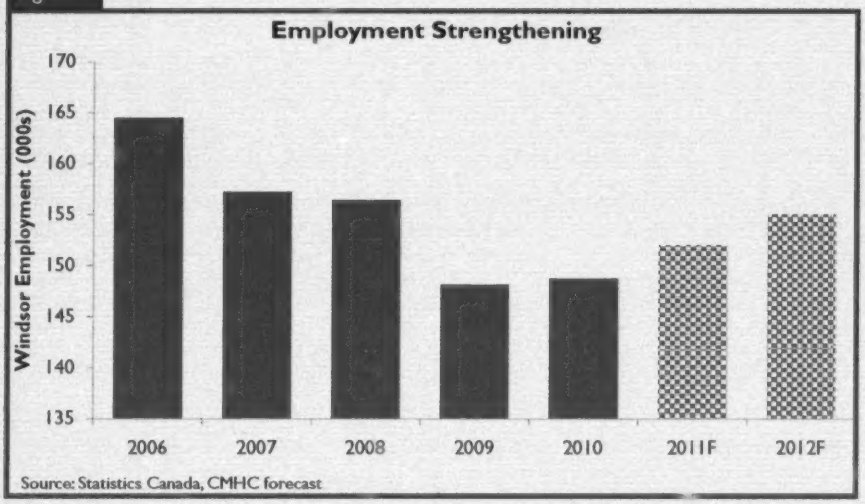
The average price of a newly completed single-detached home in the Windsor CMA has been trending upward after bottoming out in the first quarter of 2009 The main driver in the rising price has been a shift in the prices of homes sold, with completions of higher-priced homes outstripping the number of lower priced homes. This confirms the increasing presence of the move-up buyer and importance in the market today. The average price of a new home will rise to more than double the cost of a resale home, as buyers invest in quality upgrades and energy efficiencies. Rising costs of some building materials will also contribute to rising prices.

Economic Trends

Windsor Outlook Brightens

Regional efforts to diversify the local economy will pay off this year and next as employment growth in the Windsor CMA brings the unemployment rate under the 10 per cent threshold. The upturn will be led by the business sector, resulting in a more gradual recovery compared to early consumer-driven recoveries. The Chrysler minivans produced in Windsor are popular sellers and the

Figure 4



Source: Statistics Canada, CMHC forecast

plant is operating at capacity. The Windsor Assembly Plant has been given a new cargo minivan product for 2012 contributing to the confidence in the auto sector recovery. Nevertheless the auto sector faces some headwinds which include a high Canadian dollar, higher fuel costs and increasing global competition,

The manufacturing sector is also supported by several announcements and plant openings in the renewable energy and green energy field. Several recent honours are generating optimism within Windsor. The Intelligent Community Forum has ranked Windsor as a leader in the use and adoption of the internet and other innovative communications technologies. As well, the *Financial Times of London* has named Windsor as one of the top ten Cities of the Future for the Americas 2011-2012.

Windsor's move to implement a Community Improvement Plan in order to offer tax incentives and special grants to businesses which invest locally is beginning to bear fruit and will build on the revitalization plans for the downtown. The construction sector will expand as infrastructure development continues.

Windsor Attracting Empty Nesters

Net migration to the Windsor CMA will continue to move towards positive territory this year and next as employment opportunities strengthen. More people from other areas of the province will find Windsor an attractive homeownership market due to the relatively affordable housing costs while offering many amenities and milder weather. This is especially true of people who are 50 years old and older. They are the main target of the Windsor Essex Active Retirement Community Initiative which estimates that by targeting this group they have brought over 400 new households to the area who have invested over $100 million in real estate in Windsor over the past two years as a result of the initiative.

Mortgage Rate Outlook

On April 12th, the Bank of Canada announced that it was leaving the Target for the Overnight Rate unchanged at 1.0 per cent. The last increase in the overnight rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. The Bank of Canada is expected to resume raising the overnight rate in the fourth quarter of 2011. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat in 2011 before increasing moderately in 2012. For 2011, the one-year posted mortgage rate is assumed to be in the 3.1 to 3.5 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.1 to 5.6 per cent range. For 2012, the one-year posted mortgage rate is assumed to be in the 3.4 to 4.3 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2 to 6.3 per cent range.

Rates could, however, increase at a faster pace if the economy ends up recovering more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Forecast Summary Windsor CMA Spring 2011							
	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	4,546	4,661	4,893	4,700	-3.9	4,820	2.6
MLS® New Listings	11,197	10,133	10,058	10,000	-0.6	10,100	1.0
MLS® Average Price ($)	159,709	153,691	159,347	162,000	1.7	165,000	1.9
New Home Market							
Starts:							
Single-Detached	328	303	460	400	-13.0	475	18.8
Multiples	125	88	157	166	5.7	219	31.9
Semi-Detached	22	14	26	14	-46.2	18	28.6
Row/Townhouse	87	68	89	86	-3.4	100	16.3
Apartments	16	6	42	36	-14.3	36	0.0
Starts - Total	453	391	617	566	-8.3	694	22.6
Average Price ($):							
Single-Detached	311,852	309,030	326,173	360,000	10.4	370,000	2.8
Median Price ($):							
Single-Detached	289,000	280,000	300,000	330,000	10.0	340,000	3.0
New Housing Price Index (% chg.)	0.4	0.1	-0.8	-2.6	-	-1.0	-
Rental Market							
October Vacancy Rate (%)	14.6	13.0	10.9	9.5	-1.4	8.5	-1.0
Two-bedroom Average Rent (October) ($)	772	747	752	757	-	760	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.23	-	3.76	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.45	-	5.94	-
Annual Employment Level	156,400	148,100	148,700	152,000	2.2	155,000	2.0
Employment Growth (%)	-0.5	-5.3	0.4	2.2	-	2.0	-
Unemployment rate (%)	9.3	13.8	11.5	10.0	-	9.1	-
Net Migration	-2,881	-2,334	-2,297	-2,000	-12.9	-1,500	-25.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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